

CITY OF uMHLATHUZE



ANNUAL FINANCIAL STATEMENTS

for the year ended

30 JUNE 2016

ANNUAL FINANCIAL STATEMENTS

FOR

CITY OF uMHLATHUZE

30 JUNE 2016

Contact Information:

**Municipal
Manager:**

Dr NJ Sibeko

Chief Financial Officer:

Contact telephone number:

Contact e-mail address:

Mxolisi Kunene

(035) 907 5090

Mkunene@umhlathuze.gov.za

Contact at National treasury:

Contact telephone number:

Contact e-mail address:

Nomxolisi Mawulana

012 315 5460

Nomxolisi.Mawulana@treasury.gov.za

Relevant Auditor:

Contact telephone number:

Contact e-mail address:

AG(SA)

(033) 2647 616

ravindral@agsa.co.za

City of uMhlatuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

General Information

Members of the Council:	Position	Status
Cllr MG Mhlongo	Mayor	Active
Cllr N.V Gumbi	Deputy Mayor	Active
Cllr M. Mthenjana	Speaker	Active
Cllr M. Lourens	Chief Whip	Active
Cllr D.A. Nxumalo	Executive Committee	Active
Cllr M.M. Mbokazi	Executive Committee	Active
Cllr L.C.M Fourie	Executive Committee	Active
Cllr S.G. Mkhize	Executive Committee	Active
Cllr S.S. Simmadhri	Executive Committee	Active
Cllr M. Sookroo	Executive Committee	Active
Cllr L.S Sabela	Executive Committee	Active
Cllr N.R Cele	Executive Committee	Active
Cllr A.S. Dawood	Chairperson of Section 79 MPAC	Active
Cllr S.N. Hlophe	Chairperson of Section 79 BYLAWS	Active

The comprehensive list of councillors is available on the website

Municipal Manager:	Dr NJ Sibeko
Chief Financial Officer:	Mxolisi Kunene
Category of Local Authority:	B
Auditors:	Auditor-General of South Africa
Bankers	ABSA Bank
Registered Office:	5 Mark Strasse, Civic Centre Richards Bay 3900
Physical Address:	5 Mark Strasse, Civic Centre Richards Bay 3900
Postal Address:	P.Bag X1004 Richards bay 3900

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

Table of Contents

REPORT OF THE AUDITOR GENERAL

STATEMENT OF THE MUNICIPAL MANAGER'S RESPONSIBILITY	5
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016	6
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016	7
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016	8
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016	9
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016	10 - 11
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	12 - 27
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	28 - 75
UNAUDITED SUPPLEMENTARY SCHEDULES:	
APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016	76
APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016	77 - 78
APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	79
APPENDIX D: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL MANAGEMENT ACT	80 - 81

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

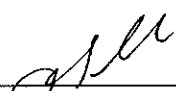
STATEMENT OF THE MUNICIPAL MANAGER'S RESPONSIBILITY

The City of uMhlathuze, situated at 5 Mark Strasse, Richards Bay, is a category B municipality, established in terms of section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 81, in terms of section 126(1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2016.



Dr N.J. Sibeko
CITY MANAGER

DATE

31/8/2016

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	2016	2015 RESTATED
		R	R
NET ASSETS AND LIABILITIES			
Non-current Liabilities		689 374 498	769 810 963
Long-term Liabilities	2	348 099 897	471 210 199
Post-employment medical aid benefits	30	341 274 601	298 600 764
Current Liabilities		718 432 268	582 411 477
Consumer Deposits	3	45 196 572	43 952 066
Trade and Other Payables	4	510 184 028	357 815 969
Provisions	31	22 578 563	19 997 955
Unspent Conditional Grants and Receipts	5	18 126 956	30 958 656
Current portion of Long-term Liabilities	2	122 346 149	129 686 830
Net Assets		4 549 985 212	4 425 719 529
Housing Development Fund	1	129 588 396	53 916 402
Accumulated Surplus		4 420 369 816	4 371 803 127
Total Net Assets and Liabilities		5 957 791 978	5 777 941 970
ASSETS			
Non-current Assets		4 992 812 045	4 962 181 582
Property, Plant and Equipment	9	4 857 716 007	4 827 512 611
Investment Property	11	125 125 248	125 458 587
Intangible Assets	10	7 131 967	6 371 757
Heritage Assets	8	2 766 995	2 723 695
Long-term Receivables	13	71 828	114 931
Current Assets		964 979 933	815 760 388
Inventory	7	67 672 229	87 462 295
Trade receivables from exchange transactions	12	288 063 026	251 349 755
Other receivables from non-exchange transactions	14	94 027 207	45 084 615
VAT	6	52 771 853	10 182 081
Current portion of Long-term Receivables	13	39 310	44 104
Cash and Cash Equivalents	15	462 406 308	421 637 538
Total Assets		5 957 791 978	5 777 941 970

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 R	2015 R RESTATED
REVENUE			
Non-exchange Revenue		881 825 882	854 746 557
Property rates	16	373 295 053	338 165 881
Fines		11 282 606	55 368 818
Government grants and subsidies	18	492 508 010	456 922 900
Public Contributions	40	4 740 213	4 288 958
Exchange Revenue		1 842 125 560	1 883 234 248
Service charges	17	1 710 851 769	1 673 839 935
Rental of facilities and equipment		9 945 445	11 647 576
Interest earned - external investments		32 411 106	27 558 341
Interest earned - outstanding debtors		53 973	56 476
Licences and permits		3 525 092	1 777 477
Income for agency services		6 249 887	6 725 733
Other income	19	63 534 903	140 258 190
Gains on sale of land		15 553 385	11 370 520
Gains on disposal of Investment Property		-	10 000 000
Total Revenue		2 723 951 442	2 737 980 805
EXPENDITURE			
Employee related costs	20	592 773 040	542 326 967
Remuneration of Councillors	21	23 891 059	22 622 277
Bad debts	12	36 646 113	78 710 286
Collection costs		606 236	513 813
Depreciation	9,11	349 026 836	338 127 009
Amortisation	10	2 219 145	1 807 982
Post employment benefits expenses	30	42 673 837	65 268 865
Repairs and maintenance	42	142 611 180	132 082 367
Finance costs	22	58 693 589	71 171 449
Bulk purchases	23	1 047 811 485	1 100 661 466
Contracted services	41	105 528 161	80 489 484
Grants and subsidies paid	24	18 149 132	4 357 606
General expenses	37	178 955 946	150 632 481
Total Expenditure		2 599 685 759	2 588 772 053
SURPLUS FOR THE YEAR		124 265 683	149 208 752

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	2016	Notes	Housing Development Fund R	Accumulated Surplus R	Total R
	2015				
Balance at 30 June 2014			49 933 544	4208619227	4 258 552 771
Correction of accumulated depreciation		33	-	3 450 312	3 450 312
Inventory land not previously recognised		33	-	12 445 000	12 445 000
Restated balance at 30 June 2014			49 933 544	4 224 514 539	4 274 448 084
Surplus / (deficit) for the year			-	149 208 752	149 208 752
Transfer to Housing Development Fund			3 982 857	(3 982 857)	-
Balance at 30 June 2015			53 916 402	4 369 740 434	4 423 656 836
	2016				
Balance at 30 June 2015			53 916 402	4 369 740 434	4 423 656 836
Correction of Inventory: Consumable Stores balance		33	-	2 062 693	2 062 693
Restated balance at 30 June 2015			53 916 402	4 371 803 127	4 425 719 529
Surplus/ (Deficit) for the year			-	124 265 683	124 265 683
Transfer to Housing Development Fund			75 671 994	(75 671 994)	-
Balance at 30 June 2016			129 588 396	4 420 396 816	4 549 985 212

City of uMhlatuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		2 519 274 443	2 660 225 440
Cash paid to suppliers and employees		(2 012 004 201)	(2 040 133 297)
Cash generated from operations	25	507 270 242	620 092 143
Interest received		32 411 106	27 558 341
Interest paid		(58 693 589)	(71 171 449)
NET CASH FLOWS FROM OPERATING ACTIVITIES		480 987 759	576 479 035
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(310 881 611)	(451 849 138)
Purchase of intangible assets		1 065 710	(973 570)
Proceeds on disposal of property, plant and equipment		-	19 000 000
Decrease/ (Increase) in non-current receivables		47 897	41 207
NET CASH FLOWS FROM INVESTING ACTIVITIES		(309 768 004)	(433 781 501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(130 450 983)	(125 569 341)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(130 450 983)	(125 569 341)
Net increase/ (decrease) in cash and cash equivalents		40 768 770	17 128 191
Cash and cash equivalents at the beginning of the year		421 637 538	404 509 347
Cash and cash equivalents at the end of the year	15	462 406 308	421 637 538

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	Approved Budget	Final Budget	Variance	Variance
		R'000	R'000	R'000	R'000	%
STATEMENT OF FINANCIAL POSITION	44.2.1					
Total current assets		964 979	817 368	869 585	(95 394)	-10.97%
Total non-current assets		4 992 812	5 196 969	5 249 061	256 249	4.88%
Total Assets		5 957 791	6 014 064	6 118 646	160 854	-6.09%
Total current liabilities		718 432	595 404	596 412	(122 020)	-20.46%
Total non-current liabilities		689 374	923 044	923 044	233 669	25.32%
Total Liabilities		1 407 806	1 518 449	1 519 456	111 649	4.86%
Total Net Assets		4 549 985	4 495 616	4 599 190	49 205	1.07%
Total Net Assets and Liabilities		5 957 791	6 014 065	6 118 646	160 854	5.93%
STATEMENT OF FINANCIAL PERFORMANCE	44.2.2					
Property rates		373 295	361 500	374 178	883	0.24%
Service charges		1 710 851	1 819 969	1 752 777	41 925	2.39%
Rental of facilities and equipment		9 945	10 874	11 524	1 578	13.70%
Interest earned - external investments		32 411	21 982	21 982	(10 429)	-47%
Interest earned - outstanding debtors		54	58	90	36	40.03%
Fines		11 282	11 231	3 732	(7 551)	-202%
Licences and permits		3 525	1 765	3 607	(82)	-2.27%
Income for agency fees		6 249	7 000	7 000	(750)	-10.72%
Government grants and subsidies		492 508	417 831	529 128	36 619	6.92%
Public contributions		4 740	-	-	(4 740)	-100%
Other income		63 534	31 970	28 965	(34 569)	-119%
Gains on Sale of Land		15 553	-	-	(15 553)	100%
Gains on disposal of Investment Property		-	-	-	-	-
Total Revenue		2 723 951	2 684 180	2 513 946	(224 035)	-192.8%
Employee-related costs		592 773	615 819	629 901	37 128	5.89%
Remuneration of councillors		23 891	24 726	24 729	837	3.39%
Debt impairment		36 646	3 050	3 064	(33 582)	-1096%
Collection costs		606	173	1 245	638	51%
Depreciation and amortisation		351 345	205 014	205 014	(146 331)	-71%
Repairs and maintenance		142 611	132 063	139 830	(2 781)	-1.99%
Finance costs		58 693	79 806	79 806	21 112	26.45%
Bulk purchases		1 047 811	1 134 058	1 063 124	15 312	1.44%
Contracted services		105 528	116 461	106 821	1 292	1.21%
Grants and subsidies paid		18 149	13 884	14 018	(4 131)	-29.47%
Post employment benefits expenses		42 673	-	-	(42 673)	100%
General expenses		178 955	194 306	207 319	28 363	13.68%
Total Expenditure		2 599 685	2 519 360	2 474 871	(82 140)	-1095%
Surplus/ (Deficit) for the year		124 265	164 820	258 112	91 172	0.35%

City of uMhlatuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	Approved Budget	Final Budget	Variance	Variance
		R'000	R'000	R'000	R'000	%
CASH FLOW STATEMENT	44.2.3					
Net cash from (used) operating		480 835	385 511	468 266	(12 569)	-2.68%
Net cash from (used) investing		(309 768)	(303 915)	(405 756)	(95 987)	-23.66%
Net cash from (used) financing		(130 298)	45 381	47 881	178 179	-372.1%
Net (decrease)/ increase in cash and cash equivalents		40 768	126 977	110 391	69 622	-393.1%
CAPITAL EXPENDITURE						
Budget and Treasury Office		148	15	421	273	64.87%
Community and Social Services		16 381	35 725	25 039	8 657	34%
Corporate Services		57 014	44 497	65 282	8 267	12.66%
Electricity		19 167	29 630	28 464	9 296	33%
Executive and Council		-	92	-	-	-
Health		3 734	4 866	4 456	720	37%
Housing		86 814	18 000	104 211	17 397	16.69%
Other		1 091	300	(1 091)		
Planning and Development		15	-	476	460	96%
Public Safety		4 907	21 345	18 359	13 451	73%
Road Transport		11 526	42 982	46 966	35 440	75%
Sport and Recreation		22 830	41 239	38 172	15 341	40.19%
Waste Management		1 494	1 777	1 530	35	2.30%
Waste Water Management		52 449	79 875	50 575	(1 873)	-3.7%
Water		115 922	128 429	117 204	1 281	1.09%
Total		393 502	448 778	501 160	107 658	21.48%

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from Non-exchange transactions
GRAP 24	Presentation of budget information
GRAP 25	Employee benefits
GRAP 26	Impairment of cash generating assets
GRAP 31	Intangible Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions between entities under common Control
GRAP 106	Transfer of Functions between entities not under common Control

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

1. BASIS OF PRESENTATION (Continued)

- GRAP 107 Mergers

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the Municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The Municipality has not adopted any GRAP standard that is not yet effective, but has based its accounting policies on such standards, except for GRAP 18.

The following GRAP standards have been issued and effective but are not applicable to the Municipality:

- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investment in Associate
- GRAP 8 Interest in Joint Ventures
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 27 Agriculture

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**.ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

5.1 Significant accounting judgements, estimates and assumptions

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements

Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets was not calculated.

Customer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates. A detailed breakdown of the student fee receivable is provided in note 13.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

6. COMPARATIVE INFORMATION

6.1 PRIOR YEAR COMPARATIVES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

6.2 CURRENT YEAR COMPARATIVES:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

7.1 INITIAL RECOGNITION (Continued)

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

7.2 SUBSEQUENT MEASUREMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

7.3 DEPRECIATION

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use.

The annual depreciation rates are based on the following estimated average asset lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	15-65	Buildings	30
Pedestrian Malls	30	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-65	Office equipment	3-5
Sewerage	15-50	Furniture and fittings	7
Housing	30	Watercraft	15
Community		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5		

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

7.3 DEPRECIATION (Continued)

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospective or retrospectively if appropriate, at each reporting date. Any changes are recognised either as a change in accounting estimate or correction of error if appropriate in the Statement of Financial Performance.

7.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

8. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at the lower of the fair value or present value of minimum lease payments.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases.

Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Impairment of Cash generating assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

Impairment of Non-cash generating assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life

10. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

10. INTANGIBLE ASSETS (continued)

10.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

10.2 SUBSEQUENT MEASUREMENT

Intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

10.3 AMORTISATION AND IMPAIRMENT

The cost of an intangible asset is amortised over the useful life of 3 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

10.4 DERECOGNITION

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

11. INVESTMENT PROPERTIES

11.1 INITIAL RECOGNITION

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement). Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

11.2 SUBSEQUENT MEASUREMENT

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Vacant land held under investment properties is not depreciated.

11.3 DERECOGNITION

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

12. INVENTORIES

Consumable stores, unsold water, and land held for sale are valued at the lower of cost and net realisable value.

In general, the basis of determining cost is the first-in, first-out method.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition.

Redundant and slow-moving inventories are identified and written down to current replacement cost.

13. REVENUE RECOGNITION

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

13. REVENUE RECOGNITION (continued)

13.1 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality,

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (Continued)

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use furthermore Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality.

Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

15. HOUSING DEVELOPMENT FUND

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets.

16. RETIREMENT BENEFITS

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued once in two years by independent qualified actuaries.

17. BORROWING COSTS

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in accordance with the revised GRAP 5.

18. FINANCIAL INSTRUMENTS

CLASSIFICATION

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

FINANCIAL ASSETS

The classification of financial assets depend on their nature and purpose, and is determined at the time of initial recognition.

Subsequent measurement

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

18. FINANCIAL INSTRUMENTS (Continued)

Investments

Non-derivative investments with fixed or determinable payments and fixed maturity dates, which the municipality has the positive intent and ability to hold to maturity, are measured at amortised cost using the effective interest method less any impairment.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (Continued)**

18. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL LIABILITIES

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of Creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

19. HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

19.1 INITIAL MEASUREMENT

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

19.2 SUBSEQUENT MEASUREMENT

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

19. HERITAGE ASSETS (Continued)

19.2 SUBSEQUENT MEASUREMENT (Continued)

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

19.3 DERECOGNITION

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

20. SHORT TERM BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

21. GRANTS-IN-AID

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
Expect to be repaid in future; or
Expect a financial return, as would be expected from an investment.

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

22. BUDGET INFORMATION

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

23. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. TAX

26.1 Normal Tax Expense:

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(A) of the Income Tax Act.

26.2 VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
1. HOUSING DEVELOPMENT FUND		
The Housing Development Fund is represented by the following assets		
Fixed Assets	167 450 030	82 401 808
Bank and cash	13 122 552	12 641 298
Accumulated surplus	(50 984 186)	(41 126 704)
Total Housing Development Fund Assets and Liabilities	129 588 396	53 916 402
2. LONG-TERM LIABILITIES		
Annuity Loans	470 446 046	600 897 029
Less: Current portion transferred to current liabilities	(122 346 149)	(129 686 830)
Total Long-Term Liabilities	348 099 897	471 210 199

Refer to Appendix A for more detail on long-term liabilities

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)

2. LONG-TERM LIABILITIES (continued)

	External Loans repayments - future years										
	DBSA	DBSA	INCA	INCA	DBSA	DBSA	DBSA	Nedbank	Nedbank	Nedbank	Total
	5 908 932	2 447 669	5 281 123	86 658 981	89 201 762	13 028 710	42 412 637	90 172 056	55 334 176	80 000 000	470 446 046
	12.00%	14.50%	13.95%	8.75%	11.70%	6.75%	11.57%	11.26%	9.59%	10.13%	
2017	5 347 477	1 403 464	2 570 621	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	17 851 444	169 065 439
2018	5 347 477	1 403 464	2 570 621	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	16 819 016	168 033 011
2019			1 298 842	33 473 084	21 103 724	4 871 725	17 142 868	31 894 160	12 302 863	15 812 955	137 900 221
2020								15 947 080	12 302 863	14 854 074	43 104 017
2021									12 302 863	13 800 832	26 103 695
2022			470 446 046						12 302 863	12 787 832	495 536 741
2023										11 773 444	11 773 444
2024										10 757 668	10 757 668

Disclosure about the Terms and Conditions of Financial Instruments - Borrowings

Future payments are based on the balances at 30 June 2016

- (i) The interest rate applicable to the Standard Bank and Nedbank loans is variable and yearly instalments are therefore subject to interest rate risk
- (ii) Lease liability has been settled in full
- (iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due. No other requirements are attached.
- (iv) No early settlement options are available to Council.
- (v) Conversion options are not available.
- (vi) There is no security given against the loans
- (vii) Receipts or payments of the loans are in South African currency

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)

	2016 R	2015 R
3. CONSUMER DEPOSITS		
Electricity and Water	42 589 460	39 924 454
Other	2 607 112	4 027 612
Total Deposits	45 196 572	43 952 066
Guarantees held in lieu of Electricity and Water Deposits	53 959 233	53 896 633
4. TRADE AND OTHER PAYABLES		
Trade payables	389 471 528	233 426 133
Other payables	75 610 334	46 623 755
Retentions	35 414 073	35 821 189
Amounts received in advance	9 688 073	41 944 892
Total Trade and Other Payables	510 184 028	357 815 969
5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Financial Management Grant	-	-
Restructuring Grant	9 385	9 385
Infrastructure Skills Development Grant	(976 268)	(1 071 692)
Extended Public Works	5 773	-
Programme Integrated Grant		
Municipal Infrastructure Grant	-	9 099 693
Municipal Water Infrastructure Grants	9 344 019	4 122 859
Rural Household Infrastructure Grant	-	2 352 375
Provincial Local Government Grants	3 083 870	7 272 093
Provincial Development Planning Grants	8 458	8 459
Provincial Housing Grants	2 215 925	14 838 929
Provincial Library Services Subsidies	346 706	380 762
Provincial Community Development Workers Programme	19 038	19 038
Department of Sport & Recreation	58 138	58 138
Department of Water Affairs (DWAF) Water Services Programme	205 307	205 307
Department of Water Affairs (DWAF) Refurbishment Grant	1 049 215	1 257 477
Department of Agriculture and Environmental Affairs	194 643	94 644
uThungulu District Municipality Capacity Building Grant	1 771	1 771
uThungulu District Municipality Museum Operating Subsidy	11 849	11 849
uThungulu District Municipality Coastal Management Programme	200 000	-
Department of Minerals and Energy	349 157	(7 702 431)
	18 126 956	30 958 656

Refer to Note 18 for reconciliation of grants from other spheres of government

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
6. VAT		
Output suspense	19 659 600	18 414 198
Input suspense	(59 728 628)	(24 237 818)
Input claimable	(12 702 825)	(4 358 461)
VAT (claimable)	(52 771 853)	(10 182 081)

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2016	2015
	R	R
7. INVENTORY		RESTATED
Consumables stores - at cost	14 524 262	18 597 466
Water - at cost	547 968	364 829
Land	52 600 000	68 500 000
Closing balance of inventories	67 672 229	87 462 295

8. HERITAGE ASSETS	Buildings	Other	Paintings and Statues	Total
As at 30 June 2015				
Opening balance	2 242 681	235 101	245 913	2 723 695
Additions	-	43 300	-	-
Closing balance	2 242 681	235 101	245 913	2 723 695
As at 30 June 2016				
Opening balance	2 242 681	235 101	245 913	2 723 695
Closing balance	2 242 681	278 401	245 913	2 766 995

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of carrying values

Carrying Values

At 1 July 2015

	Land	Housing	Infrastructure	Community	Other	Total
	533 426 950	82 401 808	3 635 249 452	233 100 159	343 334 242	4 827 512 611
Cost	533 426 950	91 143 545	10 127 629 231	337 596 108	619 769 813	11 709 565 647
Accumulated depreciation	-	(8 741 737)	(6 492 379 779)	(104 495 949)	(276 435 571)	(6 882 053 036)
Acquisitions	-	86 814 604	3 072 658	33 973 806	62 765 148	186 626 216
Capital under construction	-	-	197 737 516	4 561 009	1 223 125	203 521 650
Transfer to inventory land	(8 400 000)	-	-	-	-	(8 400 000)
Depreciation	-	(1 766 382)	(278 067 597)	(14 219 820)	(53 235 140)	(348 288 939)
Cost	-	(1 766 382)	(278 067 597)	(14 219 820)	(53 235 140)	(348 288 939)
Revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	(11 811)	(3 243 720)	(3 255 531)
Cost	-	-	-	(79292)	(13 826 070)	(13 905 362)
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	67 481	10 582 350	10 649 831
Carrying Values	525 026 950	167 450 030	3 557 992 029	257 403 343	349 843 655	4 857 716 007
At 30 June 2016						
Cost	525 026 950	177 958 149	10 328 439 405	376 051 631	669 932 016	12 077 408 151
Accumulated depreciation	-	(10 508 119)	(6 770 447 376)	(118 648 288)	(320 088 361)	(7 219 692 144)

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2015 - Restated

Reconciliation of carrying values

Carrying Values

At 1 July 2014

	Land	Housing	Infrastructure	Community	Other	Total
	534 976 950	76 993 365	3 603 184 535	213 000 917	275 050 208	4 703 205 975
Cost	534 976 950	84 151 732	9 820 426 765	304 713 610	508 080 448	11 252 349 505
Accumulated depreciation	-	(7 158 367)	(6 217 242 230)	(91 712 693)	(233 030 240)	(6 549 143 531)
Acquisitions	-	6 991 813	77 428 230	31 215 577	111 689 213	227 324 833
Capital under construction	-	-	223 199 958	2 366 921	507 429	232 628 586
Transfer to inventory land	(1 550 000)	-	20 000	700 000	680 000	(1 550 000)
Transfer from Intangible Assets	-	-	-	-	125 855	125 855
Depreciation	-	(1 583 370)	(279 114 391)	(12 872 710)	(43 828 582)	(337 399 053)
Cost	-	(1 583 370)	(279 114 391)	(12 872 710)	(43 828 582)	(337 399 053)
Revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	(315 170)	(315 170)
Cost	-	-	-	-	(1 393 282)	(1 393 282)
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	1 078 112	1 078 112
Correction of Cost Prior Period	-	-	-	-	80 150	80 150
Correction of Accumulated Depreciation	-	-	3 978 233	87 947	(654 860)	3 411 320
Transfer to Accumulated Depreciation	-	-	(1 507)	1 507	-	-
Carrying Values	533 426 950	82 401 808	3 635 249 452	213 000 159	343 334 242	4 827 512 611
At 30 June 2015						
Cost	533 426 950	91 143 545	10 127 629 231	337 596 108	219 769 813	11 709 565 647
Accumulated depreciation	-	(8 741 737)	(6 492 379 779)	(104 495 571)	(273 435 571)	(6 882 053 036)

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	R
10. INTANGIBLE ASSETS	
As at 1 July 2015	
Cost	13 914 949
Accumulated amortisation	(7 543 192)
Carrying value	7 543 192
Acquisitions	3 185 123
Disposal: Cost of Intangibles	(420 130)
Disposal: Accumulated depreciation	314 363
Amortisation	(2 319 145)
As at 30 June 2016	
Cost	16 679 942
Accumulated amortisation	(9 547 974)
Carrying value	7 131 967
30 June 2015 - Restated	
As at 1 July 2015	
Cost	13 067 234
Accumulated Depreciation	(5 779 489)
	7 287 745
Acquisitions	973 570
Correction of error - move to PPE: Cost	(125 855)
Correction of error - move to PPE: Amortisation	5 287
Amortisation	(1 807 982)
Correction of accumulated amortisation- Prior year	38 993
As at 30 June 2015	
Cost	13 914 949
Accumulated amortisation	(7 543 192)
Carrying value	6 371 757

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11. INVESTMENT PROPERTY
30 June 2016

TOWN STAND #	STAND #	DEEDS #	LIFE SPAN	NAME	CARRYING VALUES AS AT 01 JULY 2014	COST	ACCUMULATED DEPRECIATION	DEPRECIATION	CARRYING VALUES AS AT 30 JUNE 2015	COST	ACCUMULATED DEPRECIATION
EMPANGENI	45	T29874/1996	-	Zululand Built-It	1 000	1 000	-	-	1 000	1 000	-
EMPANGENI	56	T2643/1933	-	Manilall A	4 300 000	4 300 000	-	-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	-	Y S Cellular CC	2 000 000	2 000 000	-	-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	-	Van Rooyen K M	1 350 000	1 350 000	-	-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	25	Richards Bay Airport Company (PTY) LTD	21 286 158	25 315 591	(4 029 433)	(614 563)	20 465 909	25 720 148	(5 254 239)
EMPANGENI	246	G93/1960	-	Emanzini Leisure Resort	1 100 000	1 100 000	-	-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	25	Meerensee Mall Scoonies Vier	4 748 755	6 663 646	(1 992 604)	(77926)	4 593 116	6 663 646	(2 070 530)
RICHARDS BAY	620	T15638/1978	-	Schoonies Vier (PTY) LTD	4 500 000	4 500 000	-	-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	-	Biyela A S	47 000	47 000	-	-	47 000	47 000	-
NSELENI	1 342	TG65440/2003	-	Gumede S M	40 000	40 000	-	-	40 000	40 000	-
EMPANGENI	2 015	T5367/1980	-	Mtshali D	680 000	680 000	-	-	680 000	680 000	-
RICHARDS BAY	2 305	G128/1973	-	Bundu Nursery	250 000	250 000	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T14569/1979	-	Grindrod Terminals	9 000 000	-	-	-	-	-	-
RICHARDS BAY	5 333	T6915/1993	-	Benians B S Construction	1 000 000	1 000 000	-	-	1 000 000	1 000 000	-
RICHARDS BAY	5 333	T6915/1993	-	Benians B S Construction	700 000	700 000	-	-	700 000	700 000	-
RICHARDS BAY	5 333	T6915/1993	-	Lease Group 5 Civils	860 000	860 000	-	-	860 000	860 000	-
RICHARDS BAY	5 333	T6915/1993	-	Morganrite SA (PTY) LTD	180 000	180 000	-	-	180 000	180 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Gypsum Dam)	70 000	70 000	-	-	70 000	70 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Retention Dam)	250 000	250 000	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Conveyer Beld)	75 000	75 000	-	-	75 000	75 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Conveyer Beld)	500 000	500 000	-	-	500 000	500 000	-
RICHARDS BAY	5 333	T4097/2006	-	Waste Site	1 500 000	1 500 000	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	-	Lease Grindrod Terminals	1 500 000	1 500 000	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	-	Green Africa Nursery	150 000	150 000	-	-	150 000	150 000	-
RICHARDS BAY	5 333	T19417/2001	-	Ribeiro L M R	4 500 000	4 500 000	-	-	4 500 000	4 500 000	-
RICHARDS BAY	6 364	T4199/1980	-	Checkers	240 000	240 000	-	-	240 000	240 000	-
EMPANGENI	8 436	T37193/1995	-	Neliswa Eating House	6 100 000	6 100 000	-	-	6 100 000	6 100 000	-
RICHARDS BAY	9 893	T26939/1988	-	Naicker V	380 000	380 000	-	-	380 000	380 000	-
RICHARDS BAY	10 033	T28872/1991	-	LOT 11161 (PTY) LTD	530 000	530 000	-	-	530 000	530 000	-
RICHARDS BAY	11 376	T34219/1993	-	Pulp United (PTY) LTD	56 000 000	56 000 000	-	-	56 000 000	56 000 000	-
RICHARDS BAY	11 377	T21885/1993	-	Mantis Properties CC	1 600 000	1 600 000	-	-	1 600 000	1 600 000	-
RICHARDS BAY	2 627	T16212/1978	-	Ferreira M S	1 200 000	1 200 000	-	-	1 200 000	1 200 000	-
RICHARDS BAY	GV16990	T789/1999	25	Imvubu Lodge/River Rock	8 553 915	9 448 505	(939 874)	(45 408)	8 463 223	9 448 505	(985 282)
					135 191 828	133 030 742	(7 572 154)	(733 241)	125 125 248	133 435 299	(8 310 051)

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11. INVESTMENT PROPERTY (continued)

30 June 2015

TOWN STAND #	STAND #	DEEDS #	LIFESPAN	NAME	CARRYING VALUES AS AT 01 JULY 2014	COST	ACCUM DEPRE	DEPRECIATION	DISPOSAL	CARRYING VALUES AS AT 30 JUNE 2015	COST	ACCUMULATED DEPRECIATION
EMPANGENI	45	T29874/1996	-	Zululand Built-It	1 000	1 000	-	-	-	1 000	1 000	-
EMPANGENI	56	T2643/1933	-	Manilali A	4 300 000	4 300 000	-	-	-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	-	Y S Cellular CC	2 000 000	2 000 000	-	-	-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	-	Van Rooyen K M	1 350 000	1 350 000	-	-	-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	25	Richards Bay Airport Company (PTY) LTD	21 286 158	25 315 591	(4 029 433)	(610 243)	-	20 675 915	25 315 591	(4 639 676)
EMPANGENI	246	G93/1960	-	Emanzini Leisure Resort	1 100 000	1 100 000	-	-	-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	25	Meerensee Mall Scoonies Vier	4 748 755	6 663 646	(1 914 891)	(77 713)	-	4 671 042	6 663 646	(1 992 604)
RICHARDS BAY	620	T15638/1978	-	Schoonies Vier (PTY) LTD	4 500 000	4 500 000	-	-	-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	-	Biyela A S	47 000	47 000	-	-	-	47 000	47 000	-
NSELENI	1 342	TG65440/2003	-	Gumede S M	40 000	40 000	-	-	-	40 000	40 000	-
EMPANGENI	2 015	T5367/1980	-	Mtshali D	680 000	680 000	-	-	-	680 000	680 000	-
RICHARDS BAY	2 305	G128/1973	-	Bundu Nursery	250 000	250 000	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T14569/1979	-	Grindrod Terminals	9 000 000	9 000 000	-	-	(9 000 000)	-	-	-
RICHARDS BAY	5 333	T6915/1993	-	Benians B S Construction	1 000 000	1 000 000	-	-	-	1 000 000	1 000 000	-
RICHARDS BAY	5 333	T6915/1993	-	Benians B S Construction	700 000	700 000	-	-	-	700 000	700 000	-
RICHARDS BAY	5 333	T6915/1993	-	Lease Group S Civils	860 000	860 000	-	-	-	860 000	860 000	-
RICHARDS BAY	5 333	T6915/1993	-	Morganrite SA (PTY) LTD	180 000	180 000	-	-	-	180 000	180 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Gypsum Dam)	70 000	70 000	-	-	-	70 000	70 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Retention Dam)	250 000	250 000	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Conveyer Beld)	75 000	75 000	-	-	-	75 000	75 000	-
RICHARDS BAY	5 333	T4097/2006	-	Lease Foskor (Conveyer Beld)	500 000	500 000	-	-	-	500 000	500 000	-
RICHARDS BAY	5 333	T4097/2006	-	Waste Site	1 500 000	1 500 000	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	-	Lease Grindrod Terminals	1 500 000	1 500 000	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	-	Green Africa Nursery	150 000	150 000	-	-	-	150 000	150 000	-
RICHARDS BAY	5 333	T19417/2001	-	Ribeiro L M R	4 500 000	4 500 000	-	-	-	4 500 000	4 500 000	-
RICHARDS BAY	6 364	T4199/1980	-	Checkers	240 000	240 000	-	-	-	240 000	240 000	-
EMPANGENI	8 436	T37193/1995	-	Neliswa Eating House	6 100 000	6 100 000	-	-	-	6 100 000	6 100 000	-
RICHARDS BAY	9 893	T26939/1988	-	Naicker V	380 000	380 000	-	-	-	380 000	380 000	-
RICHARDS BAY	10 033	T28872/1991	-	LOT 11161 (PTY) LTD	530 000	530 000	-	-	-	530 000	530 000	-
RICHARDS BAY	11 376	T34219/1993	-	Pulp United (PTY) LTD	56 000 000	56 000 000	-	-	-	56 000 000	56 000 000	-
RICHARDS BAY	11 377	T21885/1993	-	Mantis Properties CC	1 600 000	1 600 000	-	-	-	1 600 000	1 600 000	-
RICHARDS BAY	2 627	T16212/1978	-	Ferreira M S	1 200 000	1 200 000	-	-	-	1 200 000	1 200 000	-
RICHARDS BAY	GV16990	T789/1999	25	Imvubu Lodge/River Rock	8 553 915	9 448 505	(894 591)	(45 284)	-	8 508 630	9 448 505	(939 875)
					135 191 828	142 030 742	(6 838 915)	(733 241)	(9 000 000)	125 458 587	133 030 742	(7 572 156)

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
12. TRADE RECEIVABLES		
From exchange transactions	315 648 679	249 743 878
Electricity	109 259 585	82 023 194
June consumption billed in July	84 735 540	73 815 261
Water	83 299 086	60 303 029
June consumption billed in July	17 706 876	14 479 270
June water surcharge billed in July	271 605	274 562
Sewerage	11 546 404	11 514 336
Special sewer charges	568 823	280 636
June sewer surcharge billed in July	66 748	168 756
Refuse	8 194 013	6 884 834
Rental	7 152 226	8 659 841
Sundry	13 714 399	20 452 303
From non-exchange transaction	53 332 515	82 154 926
Rates	42 523 450	36 430 761
Traffic fines	10 809 065	45 724 165
Gross Balance	389 847 819	361 010 948
Less: Provision for doubtful debts	(101 784 793)	(109 661 193)
Net Balance	288 063 026	251 349 755
Rates - Ageing		
Current (0 - 30) days	27 405 290	22 149 852
31 - 60 days	2 356 729	3 072 925
61 - 90 days	1 470 359	1 219 739
91 - 120 days	1 080 044	1 342 991
121 - 360 days	6 218 140	4 084 441
361+ days	3 992 887	4 606 144
Total	42 523 450	36 476 092
Electricity, Water, Sewerage and Refuse - Ageing		
Current (0 - 30) days	181 461 189	98 101 431
31 - 60 days	9 123 371	6 572 497
61 - 90 days	7 507 535	4 155 250
91 - 120 days	5 788 678	3 128 514
121 - 360 days	66 641 488	17 442 230
361+ days	45 126 418	31 325 471
Total	315 648 679	160 725 393

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
12. TRADE RECEIVABLES (continued)		
Rental		
Current (0 - 30) days	710 631	328 321
31 - 60 days	349 293	142 549
61 - 90 days	327 324	126 315
91 - 120 days	318 201	122 981
121 - 360 days	2 061 747	1 063 960
361+ days	3 385 029	6 875 715
Total	7 152 226	8 659 841
Sundry		
Current (0 - 30) days	6 922 299	(2 188 463)
31 - 60 days	915 678	3 037 834
61 - 90 days	3 153 309	1 051 724
91 - 120 days	779 932	(264 560)
121 - 360 days	4 358 072	3 298 575
361+ days	(2 211 891)	15 459 462
Total	13 917 399	20 394 572
Traffic fines		
Current (0 - 30) days	980 900	957 375
31 - 60 days	812 575	4 045 800
61 - 90 days	639 450	4 498 075
91 - 120 days	791 200	3 494 100
121 - 360 days	7 584 940	32 728 815
361+ days	-	-
Total	10 809 065	45 724 165
Neither passed due or impaired	241 703 008	147 271 224
Past due and impaired	101 784 793	109 661 193
Past due and not impaired	46 360 017	104 078 531
	389 847 819	361 010 948
Reconciliation of the bad debt provision		
Balance at beginning of the year	109 661 193	86 222 720
Contributions to the provision	36 646 113	78 710 286
Bad debts written off against the provision	(44 522 513)	(55 271 813)
Balance at end of the year	101 784 793	109 661 193

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12. TRADE RECEIVABLES (continued)

Summary of debtors by customer classification	Residential	Industry/ commercial	Municipal/ State	Fines	Total
	R	R	R	R	R
30 June 2016					
Current (0 - 30) days	58 418 217	143 034 695	10 528 420	980 900	212 962 232
31 - 60 days	3 501 419	8 647 165	309 944	812 575	13 271 102
61 - 90 days	3 103 278	4 706 446	154 131	639 450	8 603 305
91 - 120 days	3 095 177	1 931 355	87 694	791 200	5 905 426
121+ days	56 330 096	81 609 439	3 581 278	7 584 940	149 105 753
sub-total	124 448 186	239 929 101	14 661 467	10 809 065	389 847 819
Less: Provision for bad debt	(28 684 839)	(59 654 066)	(2 961 094)	(10 484 793)	(101 784 793)
Total debtors by customer classification	95 763 347	180 275 034	11 700 373	324 272	288 063 026
30 June 2015					
Current (0 - 30) days	92 141 116	120 162 314	7 990 733	957 375	221 251 538
31 - 60 days	2 352 724	3 890 220	310 083	4 045 800	10 598 827
61 - 90 days	2 047 943	1 731 693	550 290	4 498 075	8 828 001
91 - 120 days	2 377 985	2 061 703	33 117	3 494 100	7 966 905
121+ days	40 255 112	37 628 750	1 753 001	32 728 814	98 642 266
sub-total	139 174 880	165 474 680	10 637 224	45 724 164	361 010 948
Less: Provision for bad debt	(34 424 750)	(29 203 267)	(2 221 983)	(43 811 193)	(109 661 193)
Total debtors by customer classification	104 750 130	136 271 413	8 415 241	1 912 971	251 349 755

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
13. LONG-TERM RECEIVABLES		
Housing loans to staff	10 328	29 344
Study loans	100 811	129 691
Sub-total	111 139	159 035
Less: Current portion transferred to current assets	(39 310)	(44 104)
Total Long-Term Receivables	71 828	114 931

Housing loans, car loans and bursaries were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the MFMA. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

14. OTHER RECEIVABLES		RESTATED
Payments made in advance	11 661 199	19 702 316
Other receivables	82 366 007	25 382 299
Total Other Receivables	94 027 207	45 084 615

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts:

Bank balances and cash	172 406 308	271 637 538
Call investment deposits	290 000 000	150 000 000
Total bank balances and cash	462 406 308	421 637 538

Bank Accounts

The municipality has the following bank accounts:

Current Account (Primary Account)

ABSA Bank - Richards Bay

Current/ Cheque account number: 2150 000 028

Cash book balance at beginning of the year	90 404 944	9 678 944
Cash book balance at end of the year	54 147 128	90 404 944

Bank statement balance at beginning of the year	80 869 212	8 289 830
Bank statement balance at end of the year	29 135 252	80 869 212

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
15. CASH AND CASH EQUIVALENTS (continued)		
Deposit Account		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 2150 000 095		
Cash book balance at beginning of the year	35 019 023	61 163 093
Cash book balance at end of the year	21 820 045	35 019 023
Bank statement balance at beginning of the year	25 349 891	57 250 974
Bank statement balance at end of the year	19 802 725	25 349 891
Hostel Account		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 90 8291 6767		
Cash book balance at beginning of the year	(204 334)	4 128 984
Cash book balance at end of the year	(167 253)	(204 334)
Bank statement balance at beginning of the year	1 081	4 117 052
Bank statement balance at end of the year	1 139	1 081
Hostel Account - Phase 2		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 92 3367 4990		
Cash book balance at beginning of the year	756 997	9 267 014
Cash book balance at end of the year	769 812	756 997
Bank statement balance at beginning of the year	754 859	9 241 947
Bank statement balance at end of the year	3 690	754 859
Hostel Account - Phase 3		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 92 8322 1999		
Cash book balance at beginning of the year	19 333 756	21 228 774
Cash book balance at end of the year	19 939 903	19 333 756
Bank statement balance at beginning of the year	19 296 010	21 188 950
Bank statement balance at end of the year	17 908 001	19 296 010

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
15. CASH AND CASH EQUIVALENTS (continued)		
Housing Account - Brackenham		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 91 2361 5121		
Cash book balance at beginning of the year	5 296 820	5 085 612
Cash book balance at end of the year	5 383 066	5 296 820
Bank statement balance at beginning of the year	5 295 780	5 082 521
Bank statement balance at end of the year	297 572	5 295 780
Housing Account - Ngwelezane		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 91 7137 3496		
Cash book balance at beginning of the year	2 249 160	2 114 062
Cash book balance at end of the year	2 370 120	2 249 160
Bank statement balance at beginning of the year	2 248 689	2 142 549
Bank statement balance at end of the year	2 359 068	2 248 689
Housing Account - Pionierhof		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 90 9224 7889		
Cash book balance at beginning of the year	5 095 318	4 984 320
Cash book balance at end of the year	5 369 366	5 095 318
Bank statement balance at beginning of the year	5 094 504	4 981 639
Bank statement balance at end of the year	5 357 653	5 094 504
Conditional Grants		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 91 7137 3917		
Cash book balance at beginning of the year	112 416 327	122 798 934
Cash book balance at end of the year	61 433 296	112 416 327
Bank statement balance at beginning of the year	111 983 732	122 289 548
Bank statement balance at end of the year	60 894 554	111 983 732

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
15. CASH AND CASH EQUIVALENTS (continued)		
Capital Replacement Reserve		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 92 7206 8005		
Cash book balance at beginning of the year	1 228 970	123 993 050
Cash book balance at end of the year	1 295 266	1 228 970
Bank statement balance at beginning of the year	1 228 337	123 931 932
Bank statement balance at end of the year	1 294 255	1 228 337
Petty Cash		
Balance at beginning of the year	36 848	33 550
Balance at end of the year	41 848	36 848
Deposit Account		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 40 7928 6548		
Cash book balance at beginning of the year	3 710	3 010
Cash book balance at end of the year	3 710	3 710
Bank statement balance at beginning of the year	572 120	761 907
Bank statement balance at end of the year	123 483	572 120
16. PROPERTY RATES		
Actual		
Industrial	119 792 494	-
Residential	104 963 149	117 217 962
Commercial	90 391 524	196 537 890
State	24 418 295	22 751 307
Mining	643 425	-
Public Benefit Contribution	2 436	-
Public Service Infrastructure	49 477	-
Vacant Land	29 284 776	-
Agricultural	1 528 349	-
Total Property Rates	371 073 925	336 507 159
Property rates - penalties imposed and collection charges	2 221 128	1 658 722
Total Assessment Rates	373 295 053	338 165 881

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. PROPERTY RATES (continued)

Property Valuations

Industrial	7 028 947 000	-
Residential	18 256 471 360	18 636 438 510
Commercial	5 478 898 000	13 104 145 000
State	2 713 381 000	3 180 248 100
Mining	35 942 000	-
Public Benefit Organisation	111 510 000	-
Public Service Infrastructure	172 953 200	-
Vacant Land	2 461 746 000	-
Agricultural	613 025 000	-
Multiple use	618 475 000	
Municipal	-	1 965 159 450
Total Property Valuations	37 491 348 560	36 885 991 060

The first valuation in terms of the Property Rates Act No 6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. PROPERTY RATES (continued)

Predominant Use	Rate Randage	Ratio to Residential Tariff
Residential	0.0083	1:1
Business/Commercial	0.0174	1:2.1
Industrial	0.0181	1:2.2
Agricultural	0.0021	1:0,25
Public Service Purposes(State owned)	0.0095	1:1.1
Public Services Infrastructure	0.0021	1:0,25
Public Benefit Organisations	0.0021	1:0,25
Mining	0.019	1:2.3
Vacant Land	0.0145	1:1.5

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Non Profit Organisation - 20%

Pensioners - R150 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R105 000 of the valuation on all developed residential properties with >R400 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% per annum is levied on outstanding rates.

	2016 R	2015 R
17. SERVICE CHARGES		
Sale of electricity	1 332 585 702	1 336 446 889
Sale of water	222 982 447	195 101 688
Surcharge on water	4 621 028	5 358 730
Refuse removal	68 121 503	61 353 146
Sewerage and sanitation charges	82 541 090	75 579 482
Total Service Charges	1 710 851 769	1 673 839 935

An amount of R9 627 039.85 (2015: R8 920 252.44) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	229 925 000	204 800 000
Financial Management Grant	1 600 000	1 600 000
Municipal Systems Improvement Grant	930 000	930 000
Infrastructure Skills Development Grant	7 395 576	8 082 240
Municipal Infrastructure Grant (MIG)	92 017 344	147 831 295
Energy Efficiency and Demand Side Management Grant	-	3 292 740
Expanded Public Works Programme Integrated Grant	2 955 227	1 896 000
Municipal Water Infrastructure Grant	36 436 825	26 960 828
Rural Household Infrastructure Grant	4 500 000	6 147 625
Provincial Health Subsidies	5 964 600	5 964 600
Provincial Local Government Grants	2 197 253	2 907 137
Provincial Housing Grants	100 017 395	15 228 138
Provincial Library Service Subsidies	8 198 991	6 876 613
Provincial Museum Services Subsidies	166 000	151 000
Department of Water Affairs - Refurbishment Grant	5 219 987	11 177 652
Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant	-	177 061
Department of Agriculture and Environmental Affairs	-	112 735
Department of Sport and Recreation	-	3 778 697
Department of Minerals and Energy	948 412	8 608 539
Department of Economic Development and Tourism	-	400 000
	492 508 010	456 922 900

18.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of basic services.

18.2 Financial Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 600 000)	(1 600 000)
Conditions still to be met - transferred to liabilities	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.3 Restructuring Grant		
Balance unspent at beginning of year	9 385	9 385
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>9 385</u>	<u>9 385</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Restructuring Grant received in 2002, 2003, and 2004 from National Treasury has been earmarked for certain projects that will improve the local economy.

18.4 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current year receipts	930 000	930 000
Conditions met - transferred to revenue	(930 000)	(930 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

18.5 Infrastructure Skills Development Grant

Balance unspent at beginning of year	(1 071 692)	(989 452)
Current year receipts	7 500 000	8 000 000
Conditions met - transferred to revenue	(7 395 576)	(8 082 240)
Conditions still to be met - transferred to liabilities	<u>(967 268)</u>	<u>(1 071 692)</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Infrastructure and skills development grant is used to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure by increasing the pool of skills available, to facilitate lifelong learning and the transfer of knowledge and skills to municipalities and to sustain infrastructure related management capacity in local government.

18.6 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	9 099 693	50 314 601
Current year receipts	93 154 000	120 831 000
Conditions met - transferred to revenue	(92 017 344)	(147 831 295)
Conditions met - transferred to own revenue	(10 236 349)	(14 214 613)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>9 099 693</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.7 Energy Efficiency and Demand Side Management Grant		
Balance unspent at beginning of year	-	3 292 740
Current year receipts	-	-
Conditions met - transferred to revenue	-	(3 292 740)
Conditions still to be met - transferred to liabilities	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to be used to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

18.8 Expanded Public Works Programme (EPWP) Integrated Grant

Balance unspent at beginning of year	-	-
Current year receipts	2 961 000	1 896 000
Conditions met - transferred to revenue	(2 955 227)	(1 896 000)
Conditions still to be met - transferred to liabilities	5 773	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP Guidelines.

18.9 Municipal Water Infrastructure grant

Balance unspent at beginning of year	4 122 856	12 233 687
Current year receipts	50 882 000	18 850 000
Grant Withheld	(4 121 454)	-
Conditions met - transferred to revenue	(36 436 825)	-
Conditions met - transferred to revenue	(5 102 558)	(26 960 828)
Conditions still to be met - transferred to liabilities	9 344 019	4 122 859

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a water supply service.

18.10 Rural Household Infrastructure Grant

Balance unspent at beginning of year	2 352 375	4 000 000
Current year receipts	4 500 000	4 500 000
Grant withheld	(2 352 375)	-
Conditions met - transferred to revenue	(4 500 000)	(6 147 625)
Conditions still to be met - transferred to liabilities	-	2 352 375

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.11 Provincial Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts	-	5 964 600
Conditions met - transferred to revenue	-	(5 964 600)
Conditions still to be met - transferred to liabilities	-	-
	<u>-</u>	<u>-</u>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. Council was performing this function until 31 December 2015. The conditions of the grant have been met. There was no delay or withholding of the grant.

18.12 Provincial Local Government Grants

Balance unspent at beginning of year	7 272 093	3 179 230
Current year receipts	-	7 000 000
Conditions met - transferred to revenue	(2 197 253)	(2 907 137)
	<u>5 074 840</u>	<u>7 272 093</u>

Provincial Local Government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

18.13 Provincial Development Planning Grants

Balance unspent at beginning of year	8 459	8 459
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>8 459</u>	<u>8 459</u>

Provincial Development Planning grants are used to promote integrated planning and development in the Province. The grants are spent in accordance with a business plan approved by the Provincial Government.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18. GOVERNMENT GRANTS AND SUBSIDIES (continued)

	2016	2015
	R	R
18.14 Provincial Housing Grants		
Balance unspent at beginning of year	14 838 929	25 291 978
Current year receipts	86 329 120	3 566 560
Conditions met - transferred to revenue	(94 418 717)	(15 228 138)
Transferred to Brackenham Housing reserve	(5 598 678)	-
Interest received	1 065 271	1 208 529
Conditions still to be met - transferred to liabilities	<u>2 215 925</u>	<u>14 838 929</u>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were provided for the housing operating account. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds were withheld.

18.15 Provincial Library Services Subsidies

Balance unspent at beginning of year	380 762	421 375
Current year receipts	8 164 935	6 836 000
Conditions met - transferred to revenue	(8 198 991)	(6 876 613)
Conditions still to be met - transferred to liabilities	<u>346 706</u>	<u>380 762</u>

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries as well as the construction of the Empangeni Library Study hall and to refurbish the community hall at Felixton into a library.

Further funding was received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

18.16 Provincial Museum Services Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	166 000	151 000
Conditions met - transferred to revenue	(166 000)	(151 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18. GOVERNMENT GRANTS AND SUBSIDIES (continued)	2016	2015
18.17 Provincial Community Development Workers Programme	R	R
Balance unspent at beginning of year	19 038	19 038
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>19 038</u>	<u>19 038</u>

Department of Cooperative Governance and Traditional Affairs allocated funds to Council for the administration of the Community Development Workers Programme. No funds have been withheld.

18.18 DWAF - Water Services Program		
Balance unspent at beginning of year	205 307	205 307
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>205 307</u>	<u>205 307</u>

Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with the approved business proposal.

18.19 DWAF - Refurbishment Grant		
Balance unspent at beginning of year	1 257 477	-
Current year receipts	7 000 000	14 000 000
Grant withheld	(1 257 477)	-
Conditions met - transferred to revenue	(5 219 987)	(11 177 652)
Conditions met - transferred to own revenue (Vat)	(730 798)	(1 564 871)
Conditions still to be met - transferred to liabilities	<u>1 049 215</u>	<u>1 257 477</u>

Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18. GOVERNMENT GRANTS AND SUBSIDIES (continued)	R	R
	2016	2015
18.20 DWAF - Water Conservation and Demand Management		
Balance unspent at beginning of year	-	177 061
Current year receipts	-	-
Conditions met - transferred to revenue	-	(177 061)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Department of Water Affairs Water Conservation and Demand Management grant in support of capacity building and institutional support. The grant is spent in accordance with an approved business plan.

18.21 uThungulu District Municipality Capacity Building Grant		
Balance unspent at beginning of year	1 771	1 771
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>1 771</u>	<u>1 771</u>

uThungulu District Municipality allocates funds for capacity building grants. No funds have been withheld.

18.22 uThungulu District Municipality Museum Operating Subsidy		
Balance unspent at beginning of year	11 849	11 849
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>11 849</u>	<u>11 849</u>

uThungulu District Municipality allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18. GOVERNMENT GRANTS AND SUBSIDIES (continued)	2016	2015
	R	R
18.23 uThungulu District Municipality Coastal Management Programme		
Balance unspent at beginning of year	-	-
Current year receipts	200 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>200 000</u>	<u>-</u>

18.24 Department of Agriculture and Environmental Affairs

Balance unspent at beginning of year	94 643	207 379
Current year receipts	100 000	-
Conditions met - transferred to revenue	-	(112 736)
Conditions still to be met - transferred to liabilities	<u>194 643</u>	<u>94 643</u>

Department of Agriculture and Environmental affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business plan

18.25 Department of Minerals and Energy

Balance unspent at beginning of year	(7 702 431)	(7 093 892)
Current year receipts	9 000 000	8 000 000
Conditions met - transferred to revenue	(948 412)	(8 608 539)
Conditions still to be met - transferred to liabilities	<u>(349 157)</u>	<u>(7 702 431)</u>

Department of Minerals and Energy provided a grant in support of Electrification Projects. The grants are spent in accordance with an approved business plan.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18. GOVERNMENT GRANTS AND SUBSIDIES (continued)	2016	2015
	R	R
18.26 Department of Sport and Recreation		
Balance unspent at beginning of year	58 138	540 902
Current year receipts	-	3 295 933
Conditions met - transferred to revenue	-	(3 778 697)
Conditions still to be met - transferred to liabilities	<u>58 138</u>	<u>58 138</u>

Funds were received from Department of Sport and Recreation for the upgrade of Vulindlela Sport Facility. The grants are spent in accordance with an approved business plan.

18.27 Department of Economic Development and Tourism

Balance unspent at beginning of year	-	400 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(400 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Funds were received from the department of Economic and Development Tourism for the upgrade of Alkandstrad Beach. The grants are spent in accordance with an approved business plan.

19. OTHER INCOME

Building Plans	1 445 915	1 542 032
Extension Fees and Engineering contributions	18 008 449	102 573 287
Connection Fees	7 617 922	6 763 844
Grant Vat Revenue	16 069 705	14 214 613
Insurance Claim refunds	4 299 455	139 339
Skills levy fees	1 123 481	915 335
Discount received	1 521 744	2 003 478
Sundries	13 448 232	6 551 631
Total Other income	<u>63 534 903</u>	<u>140 258 190</u>

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20. EMPLOYEE-RELATED COSTS	2016	2015
	R	R
		RESTATED
Employee-related cost - salaries and wages	355 159 541	329 184 367
Bonus	29 874 874	26 586 550
Employee-related cost - contributions to UIF, pensions and medical aid	99 980 471	92 188 557
Travel, motor car, accommodation, subsistence and other allowances	35 916 966	32 870 102
Housing benefits and allowances	3 991 548	3 564 828
Overtime payments	47 055 121	39 698 448
Leave payments	13 784 368	13 701 199
Cellphone allowances	2 562 899	2 133 421
Pensioners' medical aid contributions	4 447 251	3 631 935
Less: Employee costs capitalised to Property, plant and equipment	-	(1 232 440)
Total Employee-related costs	592 773 040	542 326 967

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	1 220 251	1 072 325
Annual Bonus	101 688	77 872
Performance Bonus	173 347	66 149
Travel Allowance	240 000	287 896
Contributions to UIF, Medical and Pension funds	335 018	311 155
Total	2 070 304	1 815 397

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of Senior Managers and Managers

30 June 2016	Dep M Manager: Infra & Technical Services	Dep M Manager: Community Services
Annual Remuneration	1 089 640	1 160 214
Annual Bonus	158 694	87 395
Performance Bonus	57 790	124 826
Travel Allowance	-	120 036
Non Pensionable Allowance	-	-
Contributions to UIF, Medical and Pension funds	2 653 802	236 940
Total	3 959 926	1 729 411

Annual Bonus forms part of the annual package of officials and is not an additional item. The salary of the Deputy Municipal Manager Infrastructure and Technical Services includes a settlement amount of R2 300 000 reached between Council and the Manager.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20. EMPLOYEE-RELATED COSTS (continued)	2016		2015
	R	R	
	Dep M Manager: Infra & Technical Services	Dep M Manager: Community Services	
30 June 2015			
Annual Remuneration	770 906		825 792
Annual Bonus	-		68 816
Performance Bonus	-		61 834
Travel Allowance	-		125 975
Non Pensionable Allowance	192 633		192 633
Contributions to UIF, Medical and Pension funds	209 983		174 647
Total	1 173 522		1 449 697
30 June 2016			
	Dep M Manager: Financial Services - CFO	Dep M Manager: Corporate Services	Dep M Manager: City Development
Annual Remuneration	1 274 896	1 319 175	1 229 248
Annual Bonus	79 056	-	-
Performance Bonus	166 435	36 986	-
Travel Allowance	204 600	203 784	148 034
Non Pensionable Allowance	-	-	-
Contributions to UIF, Medical and Pension funds	28 102	90 880	95 900
Total	1 753 089	1 650 825	1 473 182
30 June 2015			
Annual Remuneration	890 475	536 754	282 341
Annual Bonus	79 391	-	-
Performance Bonus	123 669	-	-
Travel Allowance	204 600	60 000	-
Non Pensionable Allowance	192 633	77 053	-
Contributions to UIF, Medical and Pension funds	25 949	25 546	-
Total	1 516 717	699 353	282 341

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20. EMPLOYEE-RELATED COSTS (continued)

30 June 2016

	R	R	R
	Head: Financial Services Expenditure	Head: Financial Services Revenue	Head: Transport & Roads
Annual Remuneration	597 994	498 329	799 038
Annual Bonus	49 833	-	-
Housing Subsidy	8 400	-	8 400
Travel Allowance	253 514	211 090	278 781
Contributions to UIF, Medical and Pension Funds	265 247	116 898	262 483
Total	1 174 988	826 317	1 340 302

30 June 2015

Annual Remuneration	558 873	423 626	746 764
Annual Bonus	46 573	50 783	-
Housing Subsidy	6 402	4 767	-
Travel Allowance	239 376	181 381	263 415
Contributions to UIF, Medical and Pension Funds	304 056	149 345	245 663
Total	1 155 280	809 902	1 255 842

30 June 2016

	Head: Water & Sanitation	Head: Human Resource Services	Head: Administration Services
Annual Remuneration	249 164	597 994	-
Annual Bonus	-	49 833	-
Housing Subsidy	-	-	-
Travel Allowance	105 567	253 514	-
Contributions to UIF, Medical and Pension Funds	70 536	166 070	-
Total	425 267	1 067 411	-

30 June 2015

Annual Remuneration	352 497	558 873	-
Annual Bonus	54 484	31 261	-
Travel Allowance	149 412	239 376	-
Contributions to UIF, Medical and Pension Funds	132 326	150 319	-
Total	688 719	979 829	-

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20. EMPLOYEE-RELATED COSTS (continued)

30 June 2016

	R	R	R
	Head: Health & Public Safety	Head: Electrical Services	Head: Public Safety
Annual Remuneration	597 994	597 994	73 839
Annual Bonus	49 833	49 890	-
Housing Subsidy	-	-	-
Travel Allowance	253 513	253 513	25 084
Contributions to UIF, Medical and Pension Funds	231 035	231 035	-
Total	1 132 375	1 132 375	98 923

30 June 2015

Annual Remuneration	558 873	193 712	11 885
Annual Bonus	46 573	49 890	-
Entertainment	-	-	-
Travel Allowance	239 376	79 142	6 566
Contributions to UIF, Medical and Pension funds	238 568	84 342	-
Total	1 083 390	407 086	18 451

30 June 2016

	Head: Parks, Sport & Recreation	Head: Engineering Services	Head: SCM
Annual Remuneration	597 994	597 994	83 436
Annual Bonus	49 833	49 833	-
Entertainment	-	-	-
Housing Subsidy	-	8 400	-
Travel Allowance	253 514	253 514	29 468
Contributions to UIF, Medical and Pension Funds	293 427	177 275	-
Total	1 194 768	1 087 016	112 904

30 June 2015

Annual Remuneration	558 873	558 873	8 012
Annual Bonus	46 573	43 612	-
Entertainment	-	-	-
Housing subsidy	-	6 402	-
Travel Allowance	239 376	239 376	33 348
Contributions to UIF, Medical and Pension funds	260 582	182 131	-
Total	1 105 404	1 030 394	41 360

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
21. REMUNERATION OF COUNCILLORS		
Executive Mayor	832 254	751 941
Deputy Mayor	693 278	658 256
Speaker	669 616	633 310
Chief Whip	625 714	594 370
Executive Committee Members	5 214 421	4 925 367
Chairpersons of Section 79 Committees Exco	612 404	581 493
Chairpersons of Section 79 Committees	1 044 955	989 742
Councillors	11 874 314	11 343 821
Councillors pension contribution	2 324 103	2 143 977
Total Councillors Remuneration	23 891 059	22 622 277

The Speaker, Chief Whip and Executive Committee members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor, Deputy Mayor and Speaker are also provided with a vehicle for business use from the mayoral fleet at the cost of the Council.

22. FINANCE COSTS

Long-term liabilities	58 693 589	71 171 449
Total interest on external borrowings	58 693 589	71 171 449

23. BULK PURCHASES

Electricity	921 140 887	961 941 673
Water	126 670 598	138 719 793
Total Bulk Purchases	1 047 811 485	1 100 661 466

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24. GRANTS AND SUBSIDIES PAID		
Richards Bay Country Club	271 239	345 986
SATMA Awards	1 000 000	-
S P C A	333 300	-
Second Annual Spring Music Tour	80 500	-
Bursaries Children	676 225	37 530
Sundries	236 750	684 853
Property Rates Relief	-	1 475 584
Dolos Festival	100 000	50 000
Reed Dance	8 000	-
Womens Summit	-	99 442
Senior Citizens	-	59 877
Mens Summit	-	70 450
Operation Sukuma Sakhe Programs	-	119 456
Community Outreach - Mandlazini	-	90 000
University Registrations	488 500	128 000
Thanda Royal Zulu	1 500 000	500 000
Last Dance Festival	700 000	650 000
Youth Summit	25 826	-
World Aids Day	-	46 429
Afrika Rize Raggea Festival	30 000	-
Disaster Management	321 735	-
Diwali Committee	100 000	-
Matriculants	12 850	-
World Open Champions	10 000	-
Zululand Trade Fair	213 950	-
Comedy Show	60 000	-
Umdlathuze Music Festival	100 000	-
UnguJehova Tour	15 000	-
Mncwabe BZ to Represent South Africa in Turkey	62 000	-
Umdlathuze Gospel Competition	82 500	-
Maskandi Competition	24 000	-
SA Got Talent (Bus Hire)	10 000	-
Soccer Madness Tournament	384 450	-
Learners attending Eskom Expo	4 400	-
Mkhwanazi Traditional Authority Prayer Day	100 000	-
Economic Development and job creation	151 750	-
Department of human settlement	10 696 156	-
uThungulu Social Cohesion Summit	350 000	-
Total Grants and Subsidies Paid	18 149 132	4 357 606

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
25. CASH GENERATED FROM OPERATIONS		
Surplus/(Deficit) for the year	124 265 683	149 208 752
Adjustment for:		
Depreciation	349 026 836	338 127 009
Amortisation	2 319 145	1 807 982
Post employment benefit expenses	42 673 8375	65 268 865
Loss on disposal of property, plant and equipment	2 295 589	315 170
Gain on disposal of investment property	-	(10 000 000)
Non-cash Grants (Donation)	(82 899 235)	-
Movement in bad debt provision	(7 876 400)	23 438 473
Investment income	(32 411 106)	(27 558 341)
Interest paid	58 693 589	71 171 449
Operating surplus before working capital changes	456 087 938	611 779 359
(Increase)/ Decrease in inventories	28 190 066	30 969 780
(Increase) in debtors	(28 836 871)	41 741 035
Decrease/ (Increase) in other debtors	(48 942 592)	(19 709 089)
(Decrease)/ Increase/ in unspent conditional grants and receipts	(12 831 701)	(61 272 761)
(Decrease)/ Increase in creditors	154 948 667	18 165 335
(Increase)/ Decrease in VAT claimable	(42 589 772)	(625 307)
(Decrease)/ Increase in consumer deposits	1 244 506	(956 209)
Cash generated from operations	507 270 242	620 092 143

26. ELECTRICITY AND WATER LOSSES

Water losses for the City of uMhlathuze calculated at a variable cost per kilolitre amounts to:

Total produced and purchased (KL)	35 232 475	43 003 829
Total sold (KL)	25 985 940	26 675 400
Water Loss (KL)	9 246 535	16 328 429
% Loss	26.24%	37.97%
Variable cost/ KL	R4.01	R2.25
Total water losses	37 078 605	36 738 965

Water losses are attributable to the following reasons:

Non-technical reasons

Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube. However individual households are not metered yet hence not billed and therefore recorded as lost at this stage.

Technical reasons

Aged reticulation without sufficient replacement, refurbishment and maintenance. Incorrectly calibrated meters

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

26. ELECTRICITY AND WATER LOSSES (Continued)

	2016	2015
	R	R
Electricity losses for the City of uMhlathuze calculated at a unit cost per kilowatt amounts to:		
Total purchases (KW)	964 104 672	1 396 529 283
Total sold (KW)	913 021 018	1 302 300 100
Electricity Loss (KW)	51 083 654	94 229 183
% Loss	5.30%	6.747%
Unit cost/ KW	R 0.94	R 0.68
Total electricity losses	48 018 634	64 274 183

Electricity losses are attributable to the following reasons:

Non-technical reasons

Theft, unmetered supply and error in metering.

Technical reasons

Electrical resistivity in the network.

Ageing of network without sufficient replacement, refurbishment and maintenance.

Incorrect meter calibration and monitoring.

27. ADDITIONAL DISCLOSURES IN TERMS OF THE MFMA

27.1 Contributions to SALGA

Council subscriptions	6 984 018	5 296 814
Amount paid	6 984 018	5 296 814

27.2 Audit fees

Amount paid - current year	3 372 055	3 000 492
----------------------------	-----------	-----------

27.3 PAYE, SDL and UIF

Opening balance	6 153 482	5 720 422
Current year payroll deductions	88 234 096	78 544 070
Amount paid - current year	(80 571 644)	(72 390 588)
Amount paid - previous year	(6 153 482)	(5 720 422)
Balance unpaid (included in creditors)	7 662 452	6 153 482

The balance represents June's contribution paid over in July.

27.4 Pension and Medical Aid Deductions

Opening balance	6 496 247	6 241 676
Current year payroll deductions	174 316 918	127 521 374
Amount paid - current year	(167 108 111)	(121 038 005)
Amount paid - prior year	(6 496 247)	(6 228 798)
Balance unpaid (included in creditors)	7 208 807	6 496 247

The balance represents continued members contributions received in advance.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

27.5 Councillor's Arrear Consumer Accounts

The following councillors had arrear accounts outstanding for more than 90 days as at 30 June.

2016	Total	< 90 days	> 90 days
	-	-	-
Total	-	-	-
2015	Total	< 90 days	> 90 days
Mkhize GM	10 074	291	9 783
Total	10 074	291	9 783

During the year the following Councillors' had arrear accounts outstanding for more than 90 days. The following represents the highest amount outstanding:

2016	Highest Amount Outstanding	Ageing
	-	90+ days
2015	Highest Amount Outstanding	Ageing
Mkhize GM	9 783	90+ days
	2016	2015
	R	R
28. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for	181 565 435	184 737 880
Approved but not yet contracted for	297 831 665	313 569 520
Total capital commitments	479 397 100	498 307 400
This expenditure will be financed from		
Internal sources	133 650 000	232 812 700
External loans	200 000 000	142 572 300
Grants and subsidies	145 747 100	122 922 400
Total capital commitments	479 397 100	498 307 400

29 CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL OBLIGATIONS

Gurantee by City of uMhlathuze in respect of Postal Services	200 000	200 000
--	----------------	----------------

There is arbitration where the Municipality alleges that it is due by Zotech the amount of 2 407 289 in terms of a service level agreement. Zotech claims these amounts are not due. The matter is still pending.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
30. POST-EMPLOYMENT MEDICAL BENEFITS (defined benefit obligation)		
<p>The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed.</p> <p>Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH Actuarial Consulting, carried out a statutory valuation for the year ended 30 June 2015 with projected liabilities for the year ending 2016 and 2017. There are no planned assets.</p> <p>The principal actuarial assumption used were as follows:</p>		
Discount rate per annum	9.16%	9.16%
Health care cost inflation rate	8.24%	8.24%
Net effective discount rate	0.86%	0.86%
Average retirement age	55	55
Proportion continuing membership at retirement	80.00%	80.00%
Proportion of retiring members who are married	90.00%	90.00%
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present Value of the obligation	341 274 601	298 600 764
Liability in the Balance Sheet	341 274 601	298 600 764
Movements in the defined benefit obligation is as follows:		
Balance at the beginning of the year	298 600 764	233 331 899
Current service cost	19 229 724	14 715 038
Interest cost	27 192 949	21 221 597
Benefits paid	(3 748 836)	(3 395 293)
Actuarial (gain)/ loss on obligation	-	32 727 523
	<u>341 274 601</u>	<u>298 600 764</u>
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	19 229 724	14 715 038
Interest cost	27 192 949	21 221 597
Actuarial (gain)/ loss on obligation	-	32 727 523
Benefits paid	(3 748 836)	(3 395 293)
Net amount recognised	<u>42 673 837</u>	<u>65 268 865</u>

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

31. PROVISIONS

	Staff Leave	Staff Bonuses	Total
30 June 2016			
Amount at beginning of year	8 254 489	11 743 466	19 997 955
Increase/ (Decrease) during the year	1 325 901	1 254 707	2 580 608
Carrying amount at end of the year	9 580 390	12 998 173	22 578 563
30 June 2015			
Amount at beginning of year	9 156 913	11 234 020	20 390 933
Increase/ (Decrease) during the year	(902 424)	509 446	(392 978)
Carrying amount at end of the year	8 254 489	11 743 466	19 997 955

Staff leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount payable to staff as at year-end, based on the value of statutory and non-statutory leave.

Staff bonuses

Bonuses accrue to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis.

32. EVENTS AFTER THE REPORTING DATE

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2015

R

33. PRIOR PERIOD ERROR

Restatement of Inventory: Land

During the year, the municipality discovered land previously not accounted for in the accounting records.

The impact of this adjustment is as follows:

Balance as previously stated in the Financial Statement	56 055 000
Inventory land not previously recognised	12 445 000
Restated Inventory: Land at 30 June 2015	68 500 000

Restatement of Inventory: Consumable Stores

During the year, the municipality discovered that the closing balance of Inventory: Consumable Stored was misstated for the year of 2015.

Balance as previously stated in the Financial Statement	16 534 888
Correction of error	2 062 693
Restated Inventory: Consumable Stores at 30 June 2015	18 597 581

Restatement of Accumulated Depreciation: Property, plant and Equipment

During the year, the municipality discovered that the closing balance of Inventory: Consumable Stored was misstated for the year of 2015.

Balance as previously stated in the Financial Statement	6 885 459 186
Transfer from Intangible Asset	5 287
Correction of error	(3 411 320)
Restated Accumulated Depreciation at 30 June 2015	6 882 053 153

Restatement of Property, plant and Equipment: Cost

During the year, the municipality discovered that some assets were disclosed under Other receivables. There was also some Equipment incorrectly disclosed under Intangible Assets.

Balance as previously stated in the Financial Statement	11 702 805 364
Transfer from Intangible Asset	125 855
Transfer from Other Receivables	6 634 429
Restated Property, Plant and Equipment at 30 June 2015	11 709 565 648

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

33. PRIOR PERIOD ERROR (Continued)

Restatement of Intangible: Cost

During the year, the municipality discovered that some Equipment was incorrectly disclosed under Intangible Assets.

The impact of this adjustment is as follows:

Balance as previously stated in the Financial statements	14 040 804
Transfer to Property, plant and equipment	(125 855)
Restated Accumulated Amortisation at 30 June 2016	13 914 949

Restatement of Other Receivables

During the year, the municipality discovered that some Equipment was incorrectly disclosed under Intangible Asset.

The impact of this error is as follows:

Balance as previously stated in the Financial statements	51 719 044
Transfer from other Receivables	(6 634 429)
Restated Other Receivables at 30 June 2015	45 084 615

Restatement of Accumulated Surplus

Balance as previously stated in the Financial statements	4 353 845 122
Inventory: Land not previously recognised	12 445 000
Correction of Inventory: Consumable Stores	2 062 693
Correction of Accumulated Depreciation/ Amortisation	3 450 312
Restated Accumulated Surplus Balance at 30 June 2015	4 371 803 127

34. RECLASSIFICATION

Reclassification of conditional grants expenditure

Due to piloting of mSCOA the municipality has reclassified this line which was previously disclosed in the statement of financial performance. There is no overall effect on surplus.

The impact of this reclassification is as follows:

Amount disclosed as conditional grants expenditure	18 527 519
Reclassified to General expenses	(8 754 678)
Reclassified to Employee related costs	(9 170 282)
Reclassified to Contracted services	(602 559)
Net Amount	-

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

35. DEVIATION FROM PROCUREMENT PROCESSES

Section 37(2) of Supply Chain Management Policy has been complied with.

The total amount of deviations recorded for 2015/2016 financial year is R60 916 074

36. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

There was no unauthorised, irregular, or fruitless and wasteful expenditure incurred during the year.

37. GENERAL EXPENSES	2016 R	2015 R
Included as part of general expenses are the following:		RESTATED
Uniforms	2 385 878	3 518 416
Bank charges	4 739 558	4 134 349
Community facilitation	-	5 122 866
External audit fees	3 372 055	3 000 492
Insurances	3 400 329	6 067 971
Indigent services rendered	2 212 267	2 159 584
Legal fees	4 226 275	6 543 903
Licences and permits	2 480 045	2 280 396
Membership fees	7 742 190	5 512 473
Postage	1 723 568	1 592 511
Materials and Supplies	55 281 283	22 637 252
Programming material	9 249 453	8 752 702
Publicity	1 026 069	1 228 812
Rent equipment and vehicles	11 164 455	16 112 366
Waste disposal	6 553 945	4 521 846
Skills levy	3 709 496	4 573 970
Telephone	1 518 866	1 558 266
Sport development	1 484 839	1 484 839
Stores and materials	2 830 400	1 534 293
Subsistence and travelling	4 776 783	2 979 054
Valuation roll	3 813 795	1 234 376
Advertisement	3 813 795	1 561 832
Catering Municipal Activities	4 146 467	1 346 114
Small tools	2 750 429	636 458
Loss on disposal of Assets	2 295 589	315 170
Bursaries	524 807	1 046 285
Consultancy fees	13 772 377	16 152 264
Sundries	18 019 245	20 721 174
Total	178 955 946	150 632 481

City of uMhlatuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

38. OPERATING LEASES	2016	2015
	R	R
The municipality as a lessee		
At the reporting date, the municipality has outstanding commitments under operating leases which fall due as follows:		
Buildings		
Within one year	2 400	2 400
In the second to fifth year inclusive	9 600	9 600
After five years	-	-
Total	12 000	12 000
IT Equipment		
Within one year	-	2 013 546
In the second to fifth year inclusive	-	-
After five years	-	-
Total	-	2 013 546

Operating lease payments represents rentals payable by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers and PABX equipment. No contingent rent is payable.

39. RELATED PARTY TRANSACTIONS

There were no related party transactions that occurred during the year.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
40. PUBLIC CONTRIBUTIONS		
National Lotto	4 740 213	3 627 553
Other	-	661 405
Total	4 740 213	4 288 958
41. CONTRACTED SERVICES		RESTATED
Cleaning Services	1 945 962	2 323 547
Meter reading	6 326 536	10 580 295
Security	37 924 078	31 52 591
Sewerage and Waste Disposal	42 969 331	9 121 526
Outsourcing	16 362 255	26 911 525
Total	105 528 161	80 489 494
42. REPAIRS AND MAINTANANCE		
Total Expenditure	369 225 266	409 535 817
Internal Charges	(226 614 086)	(277 453 450)
Total	142 611 180	132 082 367

43. FINANCIAL RISK MANAGEMENT

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations.

Financial Risk Management

The municipality has exposure to the following risks from its use of Financial Instruments:

Liquidity Risk

Interest Rate Risk

Credit Risk

This note presents information about the municipality's exposure to each of the above risks and the municipality's objectives, policies and processes for measuring and managing those risks. Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

43. FINANCIAL RISK MANAGEMENT (continued)

Categories of Financial Instruments

	2016	2015
	R	R
Financial Assets		
Investments and Receivables		
Call Investments	290 000 000	150 000 000
Cash and cash equivalents	172 406 308	271 637 538
Long-term receivables	71 828	114 931
Trade receivables	288 063 026	251 349 755
Other receivables	94 027 207	51 719 045
Total	844 568 369	724 821 269
Liabilities and Creditors		
Long-term liabilities	348 099 897	471 210 199
Trade and Other payables	510 184 028	357 815 970
Total	858 283 925	829 026 169

Fair Values versus Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2016	2015
Long-term receivables	71 828	114 931
Call Investments	290 000 000	150 000 000
Cash	172 406 308	271 637 538
Trade receivables from Exchange Transactions	288 063 026	251 349 755
Other receivables from Non - Exchange Transactions	94 027 207	51 719 045
Total	844 568 369	724 821 269
Long-term liabilities	348 099 897	471 210 199
Trade and other payables	510 184 028	357 815 970
Total	858 283 925	829 026 169

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

43. FINANCIAL RISK MANAGEMENT (continued)

43.1 Liquidity

Risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The debtors collection rate of the municipality also ensures that sufficient cash is available to cover working capital. The average collection rate of the municipality is 100.83%. (2014: 99.17%).

The following are contractual liabilities of which interest is included in borrowings:

	Up to one year	1 - 5 years	> 5 years
Borrowings	169 065 439	375 140 944	591 828 189
Trade and Other payables	424 885 601	-	424 885 601
Total	593 951 040	375 140 944	1 016 713 790

43.2 Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable costs do not have a material impact on surplus. All long-term debt are at fixed rates.

43.3 Credit Risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

Investments

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

Receivables

Receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously. The municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the 'credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

43. FINANCIAL RISK MANAGEMENT (continued)

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at 30 June was:

	2016	2015
	R	R
Call investments	290 000 000	150 000 000
Cash and cash equivalents	172 406 308	271 637 538
Long-term receivables	71 828	114 931
Trade receivables	288 063 026	251 349 755
Other receivables	94 027 207	51 719 045
Total	844 568 369	724 821 269

44. Budget Information

44.1 Explanation of variances between approved and final budget amounts

The reason for the variance between approved and final budget is mainly due to the adjustments budget approved by Council on 24 February 2016.

44.2 Explanation of variances greater than 10%: final budget and actual amounts

44.2.1 Statement of financial position

Total Liabilities

The decrease is due to the loan amount of R100 million budgeted to be taken in financial year was deferred to be taken in 2015/2016 year.

44.2.2 Statement of financial performance

Revenue

Fines

The variance is due to that the municipality uses past trends when budgeting for traffic fines revenue whilst actual revenue is recorded by applying IGRAP 1 requirements.

Interest Earned - external investments

The variance is the result of increased in funds surplus funds available for investments during the year.

Interest Earned - outstanding debtors

The variance is due to property rates penalties being included under interest on outstanding debtors on the budget whilst in the financial statements it reflected under property rates.

Government Grant and Subsidies

The variance is the result of under spending in grant funded projects and therefore revenue could not be recognised due to conditions not being met.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

44. Budget Information (continued)

Public Contributions

Revenue from public contribution is not included in the budget unless there is a written confirmation as to when money will be received, hence the variance.

Other Income

The variance is the result of high revenue received on extension fees for engineering contribution and also own revenue on MIG Vat.

Gains on Sale of Land

The municipality does not budget for this revenue item as there are no certainty at budget stage as to whether land sales will materialize or not, hence a variance.

EXPENDITURE

Debt impairment

The variance is the result of an increase in the allowance for doubtful debts including traffic fines as well as increase in provision for rates and rural water during the year.

Depreciation and amortisation

The variance is due to the review of assets useful lives, the depreciation of assets which were previously classified as work in progress. Another impact is that a portion of depreciation of assets funded through internal reserves is not included in the budget when determining the tariffs.

Collection costs

The variance is due to an increased number of debtor accounts that have been handed over to the attorneys for collection.

Repairs and maintenance

The variance is due to increase in unplanned maintenance which is caused by emergencies, therefore funds were transferred from contracted services.

Post-employment benefits

This expenditure item represents the costs calculated by an actuarial valuator on the post-employment medical benefits as required in terms of GRAP 25. This cost is not included in the budget

General expenses

The variance is due to savings on programming material, community facilitation, uniforms, advertising, insurance and valuation roll.

City of uMhlatuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Grant and subsidies paid

The variance is due to some grants not paid out as planned in the budgeting stage due to business plans not submitted by applicants

Contracted services

The variance is due to reductions in the scope of some of the work performed under contracted services therefore funds were transferred to repairs and maintenance.

Finance costs

The budgeted finance charges include charges relating to the loan which was meant to be taken in 2015/2016 but was not drawn down by year-end.

44.2.3 Cash flow statement

The variance is mainly due to an increase in revenue from engineering contributions and also loan not taken in the financial year as budgeted.

44.2.4 Capital Expenditure

The underspending is mainly due to delays in awarding of tenders. The bulk of the projects have been carried forward to the 2016/2017 financial year

City of uMhlatuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Interest Rate	Loan #	Redeemable	Balance at 30/06/2015	Received during the year	Redeemed/ Written off during the year	Balance at 30/06/2016
				R	R	R	R
LONG-TERM LOANS							
Development Bank of SA	12.00%	10593	2018/03/31	2 594 553		766 042	1 828 511
Development Bank of SA	12.00%	10594	2017/03/31	896 418	-	422 015	474 403
Development Bank of SA	12.00%	10595	2017/03/31	3 365 637	-	1 584 474	1 781 163
Development Bank of SA	12.00%	10596	2017/03/31	783 195	-	368 713	414 482
Development Bank of SA	14.50%	10597	2018/03/31	3 436 855	-	989 186	2 447 669
Development Bank of SA	12.00%	10600	2017/03/31	1 527 461	-	719 098	808 363
Development Bank of SA	12.00%	10601	2017/03/31	907 889	-	427 416	480 473
Development Bank of SA	12.00%	10602	2017/03/31	229 653	-	108 116	121 537
				13 741 661	-	5 385 060	8 356 601
INCA	13.95%	UMHL	2019/06/30	6 937 066	-	1 655 943	5 281 123
Standard Bank	8.04%	357636	2015/03/31	6 630 015	-	6 630 015	-
Nedbank	6.00%	05/7831	2016/06/30	11 792 377	-	11 792 377	-
INCA	8.75%		2019/06/28	110 916 995	-	24 258 014	86 658 981
Development Bank of SA	11.70%	103170	2018/12/31	118 350 485	-	29 148 723	89 201 762
Development Bank of SA	6.75%	103494	2019/06/30	16 824 470	-	3 795 760	13 028 710
Development Bank of SA	11.57%	103494	2019/06/30	53 647 610	-	11 234 973	42 412 637
Nedbank	11.26%	05/7831/2	2019/12/31	110 160 276	-	19 988 220	90 172 056
Nedbank	9.59%	7831003878/3	2022/06/17	61 896 074	-	6 561 898	55 334 176
Nedbank	10.13%	7831003878/4	2024/06/28	90 000 000	-	10 000 000	80 000 000
				600 897 029	-	130 450 983	470 446 046
TOTAL EXTERNAL LOANS							

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016
APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost/ Revaluation					Accumulated Depreciation						
	Opening Balance	Transfers	Additions	Under construction	Dispos als	Closing Balance	Opening balance	Additions	Transfers	Disposals	Closing balance	Carrying Value
Land	533 426 950	(8 400 000)	-	-	-	525 026 950	-				-	525 026 950
	533 426 950	(8 400 000)	-	-	-	525 026 950	-	-	-	-	-	525 026 950
Infrastructure												
Electricity	662 368 727	-	1 345 213	17 922 352		681 506 292	245 417 178	27 971 162			273 388 341	408 117 951
Roads	3 318 975 882	-	-	11 805 293		3 330 781 176	2 118 954 756	86 565 329			2 205 520 085	1 125 261 090
Sewerage	1 529 338 732	-	1 727 445	52 217 094		1 583 283 271	829 267 028	44 833 349			874 100 378	709 182 894
Water	4 569 014 602	-	-	115 922 777		4 684 937 379	3 270 184 189	114 928 025			3 385 112 215	1 299 825 164
Security measures	19 596 122	-	-	-		19 596 122	13 257 907	2 408 945			15 666 852	3 929 270
Pedestrian Malls	25 411 905	-	-	-		25 411 905	15 018 135	1 257 063			16 275 198	9 136 707
Airport- taxiways	2 923 262	-	-	-		2 923 262	280 699	103 723			384 422	2 538 839
	10 127 629 232	-	3 072 658	197 737 516	-	10 328 439 406	6 492 379 894	278 067 597	-	-	6 770 447 490	3 557 991 915
Community Assets												
Beach development	35 386 635		-	-		35 386 635	13 974 963	1 197 384			15 172 348	20 214 288
Cemeteries	18 129 458		2 102 596	-		20 232 054	4 554 593	746 856			5 301 449	14 930 606
Clinics	460 222		3 560 904	-		4 021 125	140 305	77 342			217 647	3 803 478
Community centres	20 098 229		6 124 957	-		26 223 186	8 430 873	1 190 445			9 621 318	16 601 868
Fire stations	9 227 384		-	3 879 836		13 107 220	1 096 307	247 709			1 344 016	11 763 204
Land Main Investments	54 541 111		-	-		54 541 111	10 947 850	1 371 185			12 319 034	42 222 077
Libraries	16 218 465		2 196 851	-		18 415 315	6 649 938	727 122			7 377 060	11 038 255
Museum	-		-	-		-	-	-			-	()
Parks & Gardens	13 258 012		354 002	50 800		13 662 813	7 255 808	484 210			7 740 018	5 922 796
Public Conveniences	8 057 133		-	-		8 057 133	5 621 020	1 003 239			6 624 259	1 432 874
Recreation facilities	57 787 254		9 603 155	-	(79 292)	67 311 117	28 817 995	2 604 315		(67 481)	31 354 829	35 956 288
Stadiums	104 432 207		10 031 342	630 373		115 093 922	17 005 962	4 570 349			21 576 311	93 517 611
	337 596 109	-	33 973 806	4 561 009	-	376 051 632	104 495 614	14 220 156	-	-	118 648 289	257 403 343

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016 (continued)

	Cost/ Revaluation					Accumulated Depreciation						
	Opening Balance	Transfers	Additions	Under construction	Disposals	Closing Balance	Opening balance	Additions	Transfers	Disposals	Closing balance	Carrying Value
Housing	91 143 5454	-	86 814 604	-		177 958 149	7 158 367	1 766 382			10 508 118	167 450 030
	91 143 5454	-	86 814 604	-	-	177 958 149	7 158 367	1 766 382	-	-	10 508 118	167 450 030
Other Assets												
Bins & Containers	7 762 008		-	-	-	7 762 008	3 210 424	792 445		-	4 002 869	3 759 139
Buildings	216 520 237		16 834 817	1 223 125	-	234 578 179	100 527 217	10 342 019		-	110 869 237	123 708 943
Emergency equipment	1 318 480		-	-	(227)	1 318 253	414 850	126 528		(190)	541 188	777 065
Furniture and fittings	14 429 698		1 621 545	-	(138 852)	15 912 391	7 145 226	1 573 976		(114 099)	8 605 104	7 307 287
Land Main Investments	69 849 075		-	-	-	69 849 075	29 347 827	1 928 950		-	31 276 777	38 572 298
Motor vehicles	148 006 187		11 273 898	-	(10 652 953)	148 627 132	75 647 141	17 783 207		(8 033 346)	85 397 003	63 230 130
Office equipment	48 683 0230		2 593 730	-	(2 125 442)	49 151 312	22 736 022	7 632 269		(1 768 796)	28 599 495	20 551 816
Plant and equipment	112 848 548		30 441 156	-	(908 597)	142 381 107	37 180 806	14 014 943		(665 920)	50 529 829	91 851 278
Watercraft	352 552		-	-	-	352 552	226 058	40 802			266 860	85 692
	619 769 808	-	62 765 146	1 223 125	(13 826 070)	669 932 009	276 435 571	54 235 141	-	(10 582 350)	320 088 362	349 843 648
Total	11 712 289 338	(8 400 000)	186 669 514	203 521 650	(13 905 362)	12 080 175 140	6 882 052 815	348 289 275	-	(10 649 831)	7 219 692 259	4 860 482 648
Heritage Assets												
Paintings & Art galleries	2 723 694		43 300			2 766 994	-				-	2 766 994
Total	2 723 694	-	43 300	-	-	2 766 994	-	-	-	-	-	2 766 994

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Actual Expenditure	2015 Surplus/(Deficit)		2016 Actual Income	2016 Actual Expenditure	2016 Surplus/(Deficit)
R	R	R		R	R	R
1 142 955	84 355 425	(83 212 470)	Executive & Council	1 083 350	97 928 317	(96 844 967)
67 482 043	235 085 121	(167 603 078)	Corporate Services	33 824 185	271 727 146	(237 902 961)
322 143 168	96 190 998	225 952 170	Budget & Treasury Office	415 954 495	103 824 239	312 130 256
2 271 244	37 809 949	(35 538 705)	Planning & Development	2 660 759	42 303 830	(39 643 071)
14 505 985	35 592 824	(21 086 839)	Health	-	16 197 876	(16 197 876)
14 979 092	84 605 864	(69 626 772)	Community & Social Services	12 959 834	87 311 587	(74 351 752)
12 161 228	9 050 975	3 110 253	Housing	102 059 853	26 254 959	75 804 895
62 501 202	157 883 279	(95 382 077)	Public Safety	12 222 507	144 056 147	(131 833 640)
8 429 929	154 892 722	(146 462 793)	Sport & Recreation	11 259 531	175 584 553	(164 325 022)
88 036 747	95 420 491	(7 383 744)	Waste Management	114 476 108	100 430 077	14 046 031
163 509 025	172 576 518	(9 067 493)	Waste Water Management	204 891 054	213 227 983	(8 336 929)
23 518 190	255 225 298	(231 707 108)	Road Transport	11 959 837	265 988 402	(254 028 565)
394 412 320	392 000 206	2 412 114	Water	448 534 719	483 195 174	(34 660 455)
1 402 627 672	1 137 757 973	264 869 699	Electricity	1 392 407 707	1 186 840 662	205 567 045
538 473	660 446	(121 973)	Other	785 655	745 846	39 809
2 540 833 678	2 913 071 289	(372 237 611)	Sub-total	2 765 079 595	3 215 616 797	(450 537 202)
(46 521 488)	(616 664 631)	570 143 143	Less: inter-dep charges	(44 001 084)	(618 803 969)	574 802 886
2 494 312 190	2 296 406 658	197 905 532	Total	2 721 078 511	2 596 812 827	124 265 683

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of organ of state	Quarterly Receipts				Total 2015/2016 as per AFS	Quarterly Expenditure				Total 2015/2016 as per AFS	Grants and Subsidies delayed/ withheld				Total 2015/2016 as per AFS	Reason for delay/ withholding of funds	Compliance with grant conditions in terms of grant frameworks Yes/ No	Reason for non-compliance
		Sept 2015	Dec 2015	Mar 2016	June 2016		Sept 2015	Dec 2015	Mar 2016	June 2016		Sept 2015	Dec 2015	Mar 2016	June 2016				
Museum Subsidy	KZN - Dept of Education and Culture	-	166 000	-	-	166 000	459 836	1 195 048	1 445 757	2 593 596	5 694 236	-	-	-	-	-	None	Yes	
Primary Health Subsidy	KZN - Dept of Housing	254 976	252 155	173 414	360 056	1 040 600	80 615	348 300	123 748	6 710 758	7 263 420	-	-	-	-	-	None	Yes	
Esikhawini Hostel Refurbishment	KZN - Dept of Housing	1 188 680	1 022 360	763 000	855 080	3 829 120	2 519 980	2 751 658	2 543 731	2 335 605	10 150 974	-	-	-	-	-	None	Yes	
Housing Operational account	KZN - Dept of Housing	-	-	-	24 671	24 671	-	-	-	103 000	103 000	-	-	-	-	-	None	Yes	
	KZN - Dept of Housing				82 500 000	82 500 000				82 500 000	82 500 000								
Public Internet access - libraries	KZN - Dept of Library Services	-	1 020 000	-	-	1 020 000	191 882	192 911	426 494	242 798	1 054 055	-	-	-	-	-	None	Yes	
Library Subsidy	KZN - Dept of Library Services	-	6 289 000	500 000	-	6 789 000	4 195 251	4 912 090	3 995 295	4 969 775	18 072 411	-	-	-	-	-	None	Yes	
Sport and Recreation	KZN - Dept of Library Services	-	-	-	355 935	355 935	-	-	-	355 935	355 925	-	-	-	-	-	None	Yes	
Upgrade of Vulindlela Sports Facility	KZN - Dept of Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes	
Greenest Municipality	KZN - Dept of Agriculture & Enviro	100 000				100 000													
Coastal Management	uThungulu District			200 000		200 000													
Urban Development Framework Plan	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	-	-	401 556	401 556	-	-	-	-	-	None	Yes	
Municipal Excellence Award	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	321 190	-	-	321 190	-	-	-	-	-	None	Yes	
Tourism Development	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	72 300	-	571 270	643 570	-	-	-	-	-	None	Yes	
Tourism Development	KZN - Dept of Co-Operative Governance and Traditional Affairs							143 500			143 500								
New and Upgrading of Informal Trading Stalls	KZN - Dept of Co-Operative Governance	-	-	-	-	-		687 437			687 437	-	-	-	-	-	None	Yes	

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant	Name of organ of state	Quarterly Receipts				Total 2015/2016 as per AFS	Quarterly Expenditure				Total 2015/2016 as per AFS	Grants and Subsidies delayed/ withheld				Total 2015/2016 as per AFS	Reason for delay/ withholding of funds	Compliance with grant conditions in terms of grant frameworks	
		Sept 2015	Dec 2015	Mar 2016	June 2016		Sept 2015	Dec 2015	Mar 2016	June 2016		Sept 2015	Dec 2015	Mar 2016	June 2016			Yes/ No	
Water Services Operating Subsidy	Nat - Dept of Water Affairs	-	-	7 000 000	-	7 000 000	2 399 867	598 000	-	2 952 918	5 950 785	-	(1 257 477)	-	-	(1 257 477)	None	Yes	
Municipal Infrastructure Grant	National Treasury	29 000 000	26 000 000	38 154 000	-	93 154 000	32 736 453	25 462 453	31 469 163	12 585 650	102 253 394	-	-	-	-	-	None	Yes	
Financial Management Grant	National Treasury	1 600 000	-	-	-	1 600 000	257 056	221 882	304 308	816 754	1 600 000	-	-	-	-	-	Grant unspent as at 2011/2012	Yes	
Municipal Systems Improvement Grant (MSIG)	National Treasury	930 000	-	-	-	930 000	28 850	9 714	-	890 436	930 000	-	-	-	-	-	None	Yes	
Equitable Share	National Treasury	92 802 000	76 642 000	57 481 000	-	229 925 000	-	-	-	-	-	-	-	-	-	-	None	Yes	
Extended Public Works Programme	National Treasury	1 184 000	-	1 777 000	-	2 961 000	22 715	169 347	597 698	2 165 466	2 955 227	-	-	-	-	-	None	Yes	
Infrastructure Skills Development Grant	National Treasury	2 250 000	-	5 250 000	-	7 500 000	1 205 259	1 149 513	1 012 937	4 027 866	7 395 576	-	-	-	-	-	None	Yes	
Energy Management	National Treasury	-	4 500 000	-	-	4 500 000	532 207	2 647 707	-	1 320 086	4 500 000	-	(2 352 375)	-	-	(2 352 375)	None	Yes	
Rural Household Infrastructure	National Treasury	12 721 000	25 440 000	12 721 000	-	50 882 000	2 272 411	3 882 333	1 346 285	34 036 952	41 537 981	-	(4 121 454)	-	-	(4 121 454)	None	Yes	
Electrification - Mandlazini, Mzingazi and Dumisani Makhaye Village	National Treasury	2 000 000	7 000 000	-	-	9 000 000	475 777	-	-	472 635	948 412	948 412	-	-	-	-	None	Yes	
Environmental Health Services	uThungulu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes	